HOUSING PRODUCTION IN BOSTON: A REVIEW OF SUPPLY, INVENTORY OF ACTIVITY, AND ISSUES FOR THE FUTURE

Overview

Boston's housing market is very tight and the new supply of housing is short of both current and projected need. This mismatch of supply and demand is reflected by high market rental rates and growing residential sales prices. Although recent housing production is stronger than in past years, and gathering momentum, current estimates of about 2,000 units being added annually from 1984 through 1986 are only about one-half of what is needed. A review of how much housing is being built, of what type, and where within the city, shows trends in current housing production. In addition, problems with housing supply suggest a number of financial, economic, market, and public policy issues that will have a bearing on future housing production.

On a citywide view, the "pipeline" of housing units completed, under construction, or scheduled from 1984 through 1987 consists of about one-quarter new units, one-half reuse of units in nonresidential structures or in expanded existing residential buildings, and one-quarter rehabilitated vacant units and illegal conversions. Clearly, reuse is presently the largest element of additional housing to Boston's current inventory. A view of housing production by neighborhood shows that new units are primarily being built in the areas close to downtown Boston, particularly the inner harbor, as well as in the outlying "suburban" neighborhoods to the south and west of the core. Reuse and rehabilitation of housing is occurring largely close to downtown and in the middle ring of older neighborhood surrounding the core. The production of affordable (low- and moderate-income) housing

comprises about one-third of all construction citywide but this is insufficient given the 44 percent of all residents classified as lower-income and the losses of subsidized housing to market rates.

The BRA and the City recognize the shortfall in housing production and are seeking ways to encourage new supply. Expediting construction of all types of housing, reducing neighborhood differences in housing production, and increasing the supply of affordable housing are some of the issues that must be addressed. Housing finance, market economics, neighborhood planning, reuse of property, and public policies are all ingredients needed to address these issues, to create a larger housing supply and thereby lessen the economic tension currently being felt throughout the housing market in Boston.

1970-1983

The record of housing production in the fourteen years prior to 1984 shows that construction averaged about 2,500 units per year but demolitions averaged about 1,500 annually so that net annual additions only comprised about 1,000 units. Most of the housing built in the 1970s was subsidized, affordable housing or larger market-rate apartment buildings while rental and owner-occupied one- to three-family units were not widespread. In addition, much more activity occurred prior to 1975 so that housing slackened considerably in the late 1970s. Most of the housing built during the 1970s was in neighborhoods close to downtown which showed corresponding population increase between 1970 and 1980.

The biggest factor affecting housing production in the 1970s was the considerable loss of units to demolition, abandonment, and boarding.

As a result, the seeds of today's housing crisis were sown in the decades prior to 1980 largely due to constraints on supply. By 1978 Boston moved from a throw-away housing market to one where housing was limited and precious. Although the census gross vacancy rate in 1980 was 9.5 percent, a full 2 percent was abandoned and unusable while probably at least half of the 7.5 percent adjusted rate was chronically vacant housing in poor condition.

Between 1980 and 1983 Boston's housing production was spotty and suffered some newer problems due to the economic recession, increasing costs of financing and construction, loss of public subsidies and factors such as condominium conversions which threatened the supply of affordable housing. Housing construction for these four years averaged about 1,700 units annually and actually fell below 1,000 during several recession years. If not for the construction of several large apartment buildings such as Devonshire Towers and the Greenhouse, and several large subsidized projects such as Madison Park II, the new housing supply would have been much smaller. Two important factors, the beginnings of extensive housing rehabilitation and the drastic decline of demolitions were the saving grace for the housing supply. Increasingly, financing and construction costs, as well as the decline of public subsidies, were major elements in depressing housing of all sorts despite the boom in commercial development. By 1984 the high cost of housing and very tight housing market were due to both the problems behind the shortfall of supply and the strong pent-up demand for housing since the mid-1970s.

1984-1987

The inventory of housing completed, underway or scheduled from 1984 through 1987 shows that annual additions of housing are adding slightly more than 2,000 units to stock while demolitions and loss of supply are less than 200, annually. 1985 and 1986 seem to be very good years for housing production with the reuse of formerly nonresidential, public and private buildings, contributing more than 50 percent of all net additional units. For the most part, the increased housing supply in 1985 and 1986 is a reflection of the very strong 1984 economic recovery. While production is up, supply still remains only about one-half of demand for housing and market costs are not softening as vacancies continue to decline. In 1985 it is estimated that Boston has about 7,500 more housing units than in 1980 and that housing vacancies are 4 percent so that occupied units are about 16,000 greater than 1980. There appears to be a structural problem with housing vacancy rates whereby some vacancies are in uninhabitable structures, vacancy rates are moderately higher in more expensive condominium units, while vacancy rates are very low in less expensive affordable housing.

A review of the pipeline of housing construction from 1984 through 1987 reveals that the reuse of public and private nonresidential structures (conversions) and the expansion of existing residential buildings are contributing the majority of net new units to supply while new construction, renovation of vacant buildings and, to some extent, illegal conversions are adding other housing to the market. The renovation of existing housing units is considerable but does not add new units to stock. A detailed snapshot of residential building permits issued for the first eight months of 1985 (housing starts to be

completed over about 1½ years) shows that annual production will approach 2,000 units in both 1985 and 1986. Reuse accounted for 56 percent, new construction comprised 27 percent, and vacant rehabs and illegal conversions comprised an estimated 17 percent of housing units under construction.

On a neighborhood basis, patterns of new and renovated housing production reflects "hot" neighborhood markets, existing neighborhood housing conditions, land availability, and other localized factors. New housing is primarily located in the inner-harbor neighborhoods, such as East Boston and Charlestown, areas close to downtown such as Back Bay, and outlying neighborhoods to the South and West, such as Hyde Park, West Roxbury, and Allston-Brighton. Some newer neighborhoods will be emerging as areas of significant new housing construction in the next few years, including Port Norfolk in South Dorchester, Columbia Point in North Dorchester, and Fort Point Channel in South Boston. Additional housing additions through reuse of nonresidential buildings, expansion of existing housing structures, and rehabilitation of vacant buildings is occurring mainly in the inner belt of neighborhoods surrounding the core, such as East Boston, Charlestown, Jamaica Plain, Roxbury, and Dorchester. This pattern occurs where inventory of buildings accommodate the reuse and reclamation of nonresidential property. In a large picture the trends of new and reuse housing activity shows that new housing is occurring where the existing housing stock has reached a higher threshold of quality and where land availability permits whereas reuse, rehabilitation, and conversion are occurring in neighborhoods where housing quality is poorer and opportunities for reclamation of commercial property exists.

The time trend of housing completed or scheduled to be finished from 1984 through 1987 show that production is gathering momentum. Completions of additional units are scheduled to rise from about 1,800 annually in 1984 to about 2,400 in 1987. In some respect, this does reflect the improving national economy, strong local economy, and response to very tight Boston housing market conditions. However, units scheduled in 1986 and beyond may be adversely affected by tax policy changes, public subsidy problems, and the possibility of economic recession. Future housing completions should always be considered carefully in light of adverse economic events.

Affordable housing including public housing, subsidized units, and all below-market rate construction is tentatively determined at about one-third of all units from 1984 and beyond. While federal subsidies are scarce some state and local housing programs are scheduled to increase. Even though affordable housing production is considerable, continued public parsimony and the high demand for this type of housing almost surely means a significant shortfall.

Issues Affecting Future Housing Production

Boston's housing construction is growing but supply of net additional units is about 2,000 shorter than demand on an annual basis. Increases in housing production are needed but will be affected by a variety of events including finance, economics, public policy issues. A brief glimpse of the range of important factors is possible:

Financial

- Federal tax reform measures regarding tax-exempt bonds, investment properties, depreciation, historic tax credits, and syndication.
- Construction costs.

Economic
- Interest rates.
- The local and national economy.
- Investment.

Public Policy
- Federal, state, and local subsidies.
- Zoning and planning.
- Local initiative.
- Tax delinquency and foreclosure.
- Abandoned and vacant property.

Housing Market
- Balance of supply and demand.
- Costs.
- Pressures between commercial and residential uses.
- Relationship between City and suburban housing market.
- Ownership vs. rental demand.
- Supply of structures for reuse and conversion.

Neighborhood Issues
- Neighborhood support or resistance.
- Zoning.
- Neighborhood housing market conditions.
- Availability of land and buildings.

In summary, the production of housing in Boston is starting to respond to the tight market and intense current and pent-up demand. Production is scheduled to rise but will be affected by many factors. The BRA and the City recognize the shortfall of production and are taking steps to encourage and expedite new housing construction.

10.16.85 DEVELOPMENT SUMMARY FOR BOSTON

NUMBER OF DWELLING UNITS

ALL CONSTRUCTION		NEW CONSTRUCTION		REUSES		RENOVATIONS	
1975	1,058	1975	749	1975	120	1975	189
1976	1,724	1976	1,552	1976	156	1976	16
1977	1,217	1977	1,217	1977		1977	
1978	1,549	1978	1,102	1978	235	1978	212
1979	1,136	1979	469	1979	139	1979	528
1980	1,298	1980	280	1980	526	1980	492
1981	1,743	1981	976	1981	465	1981	302
1982	1,130	1982	90	1982	153	1982	887
1983	2,347	1983	1,266	1983	248	1983	833
1984	1,446	1984	39	1984	663	1984	744
1985	2,256	1985	820	1985	727	1985	709
1986	2,862	1986	1,290	1986	697	1986	875
1987	1,791	1987	1,250	1987	514	1987	27
1988	207	1988	52	1988	115	1988	40
TOTAL	21,764	TOTAL	11,152	TOTAL	4,758	TOTAL	5,854

10.16.85 DRAFT DEVELOPMENT SUMMARY FOR BOSTON DISTRICTS

NUMBER OF DWELLING UNITS: ALL CONSTRUCTION

YEAR	EAST BOSTON	CHARLESTOWN	SOUTH BOSTON	CENTRAL	BACK BAY-BEACON HI	SOUTH END	FENWAY-KENMORE	ALLSTON-BRIGHTON	YEAR
1975	356	19		239	120	181			1975
1976	380	16	49	1,028					1976
1977			68	251				4	1977
1978	104			232	45	244	404	225	1978
1979				221	190		183		1979
1980		43		389		17	256		1980
1981		367	88		126	197	200	129	1981
1982				39		121	340	329	1982
1983	46	2	88	735	258	196	332		1983
1984	33	21	19	545	72	145	287	196	1984
1985		349	418	207	216	352			1985
1986	355	461	90	95	137	129	62	417	1986
1987	69	179		446	182	278		48	1987
1988		107				40			1988
TOTALS	1,343	1,564	820	4,427	1,346	1,900	2,064	1,348	TOTALS

YEAR	JAMAICA PLAIN	ROXBURY	N. DORCHESTER	S. DORCHESTER	MATTAPAN	ROSLINDALE	WEST ROXBURY	HYDE PARK	YEAR
1975							143		1975
1976	147						104		1976
1977	775					119			1977
1978	295								1978
1979	90	120	95	223		14			1979
1980	44	178			118			253	1980
1981	153	87	114	176				106	1981
1982	151	53			97				1982
1983	197	266		143	84				1983
1984	20	6	24	35	43				1984
1985	51	226	24	95			307	11	1985
1986	91	428	91	390	33	83			1986
1987	32	334	99		104	20			1987
1988	60								1988
TOTALS	2,106	1,698	447	1,062	479	236	554	370	TOTALS

T O T A L S

1975	1,058
1976	1,724
1977	1,217
1978	1,549
1979	1,136
1980	1,298
1981	1,743
1982	1,130
1983	2,347
1984	1,446
1985	2,256
1986	2,862
1987	1,791
1988	207
TOTAL	21,764

NUMBER OF DWELLING UNITS: NEW CONSTRUCTION

YEAR	EAST BOSTON	CHARLESTOWN	SOUTH BOSTON	CENTRAL	BACK BAY-BEACON HI	SOUTH END	FENWAY-KENMORE	ALLSTON-BRIGHTON	YEAR
1975	260	13		152		181			1975
1976	380		49	872					1976
1977			68	251				4	1977
1978	104			23		51	404	225	1978
1979				84	96				1979
1980				27					1980
1981					53	190	97		1981
1982						10		80	1982
1983	46			707			322		1983
1984		21							1984
1985		194			200	9			1985
1986	325	187	43	95	101	44			1986
1987				183	178	270		48	1987
1988		52							1988
TOTALS	1,115	467	160	2,394	628	755	823	357	TOTALS

YEAR	JAMAICA PLAIN	ROXBURY	N. DORCHESTER	S. DORCHESTER	MATTAPAN	ROSLINDALE	WEST ROXBURY	HYDE PARK	YEAR
1975							143		1975
1976	147						104		1976
1977	775					119			1977
1978	295								1978
1979	74	120	95						1979
1980								253	1980
1981	153	87	114	176				106	1981
1982									1982
1983	48	143							1983
1984					18				1984
1985		163					243	11	1985
1986	15	392	33	14	33	8			1986
1987	32	334	99		86	20			1987
1988									1988
TOTALS	1,539	1,239	341	190	137	147	490	370	TOTALS

T O T A L S

1975	749
1976	1,552
1977	1,217
1978	1,102
1979	469
1980	280
1981	976
1982	90
1983	1,266
1984	39
1985	820
1986	1,290
1987	1,250
1988	52
TOTAL	11,152

10.16.85 DRAFT DEVELOPMENT SUMMARY FOR BOSTON DISTRICTS

NUMBER OF DWELLING UNITS: REUSES

YEAR	EAST BOSTON	CHARLESTOWN	SOUTH BOSTON	CENTRAL	BACK BAY-BEACON HI	SOUTH END	FENWAY-KENMORE	ALLSTON-BRIGHTON	YEAR
1975					120				1975
1976				156					1976
1977									1977
1978				209	26				1978
1979				61	64				1979
1980		30		362			16		1980
1981		367	88		3		7		1981
1982							112	12	1982
1983			88		102				1983
1984	24		19	65	67	5	200	196	1984
1985		155	45	192	11	89			1985
1986	30	274	47		36		46	25	1986
1987	69	164		263					1987
1988		55							1988
TOTALS	123	1,045	287	1,308	429	94	381	233	TOTALS

YEAR	JAMAICA PLAIN	ROXBURY	N. DORCHESTER	S. DORCHESTER	MATTAPAN	ROSLINDALE	WEST ROXBURY	HYDE PARK	YEAR
1975									1975
1976									1976
1977									1977
1978									1978
1979						14			1979
1980					118				1980
1981									1981
1982	29								1982
1983	6			52					1983
1984	20		24	18	25				1984
1985	45	7	24	95			64		1985
1986	76		58	30		75			1986
1987					18				1987
1988	60								1988
TOTALS	236	7	106	195	161	89	64		TOTALS

T O T A L S

1975	120
1976	156
1977	
1978	235
1979	139
1980	526
1981	465
1982	153
1983	248
1984	663
1985	727
1986	697
1987	514
1988	115
TOTAL	4,758

10.16.85 DRAFT DEVELOPMENT SUMMARY FOR BOSTON DISTRICTS

NUMBER OF DWELLING UNITS: RENOVATIONS

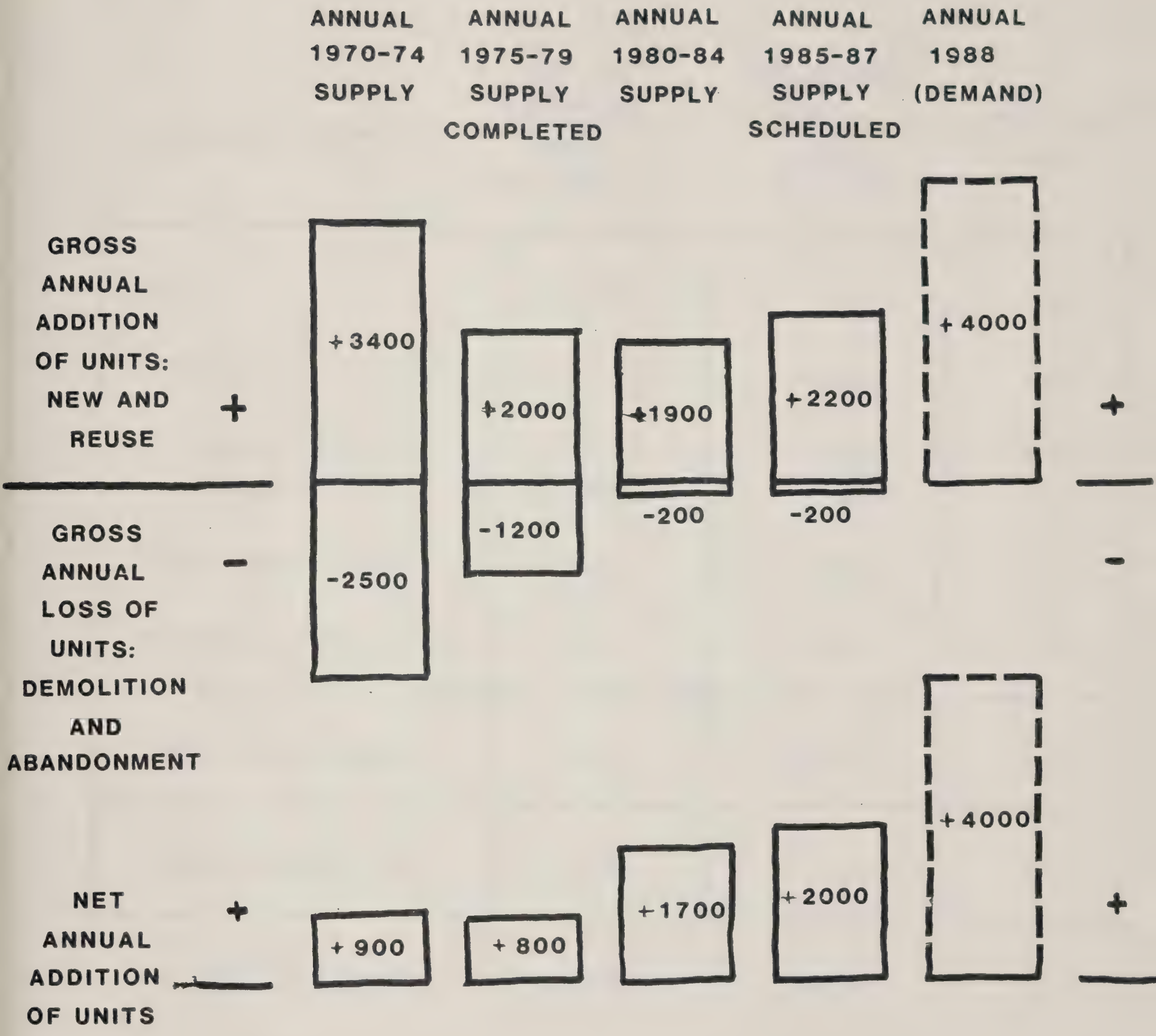
YEAR	EAST BOSTON	CHARLESTOWN	SOUTH BOSTON	CENTRAL	BACK BAY-BEACON HI	SOUTH END	FENWAY-KENMORE	ALLSTON-BRIGHTON	YEAR
1975	96	6		87					1975
1976		16							1976
1977									1977
1978					19	193			1978
1979				76	30		183		1979
1980		13				17	240		1980
1981					70	7	96	129	1981
1982				39		111	228	237	1982
1983		2		28	156	196	10		1983
1984	9			480	5	140	87		1984
1985			373	15	5	254			1985
1986						85	16	392	1986
1987		15			4	8			1987
1988						40			1988
TOTALS	105	52	373	725	289	1,051	860	758	TOTALS

YEAR	JAMAICA PLAIN	ROXBURY	N. DORCHESTER	S. DORCHESTER	MATTAPAN	ROSLINDALE	WEST ROXBURY	HYDE PARK	YEAR
1975									1975
1976									1976
1977									1977
1978									1978
1979	16			223					1979
1980	44	178							1980
1981									1981
1982	122	53			97				1982
1983	143	123		91	84				1983
1984		6		17					1984
1985	6	56							1985
1986		36		346					1986
1987									1987
1988									1988
TOTALS	331	452		677	181				TOTALS

T O T A L S

1975	189
1976	16
1977	
1978	212
1979	528
1980	492
1981	302
1982	887
1983	833
1984	744
1985	709
1986	875
1987	27
1988	40
TOTAL	5,854

NET ANNUAL HOUSING PRODUCTION
1970-1984 COMPLETED, 1985-1987 SCHEDULED,
AND 1988 & ON, DEMAND



SOURCE: BRA RESEARCH DEPARTMENT USING A VARIETY OF SOURCES (PRELIMINARY).

NOTE: DOES NOT INCLUDE RENOVATIONS OF EXISTING HOUSING AND REPLACEMENT OF OBSOLETE UNITS.

RESIDENTIAL BUILDING ACTIVITY

(from building permit data - in units or percent)

HOUSING TYPE	ACTUAL 8 MONTHS 1985 (STARTS)	PROJECTED ANNUAL 1985 (STARTS)	PERCENT COMP.
NEW	470	705	27%
REUSE	993	1,490	56%
MAJOR (6+)	871	1,307	49%
MINOR	122	183	7%
VAC. REHAB. (EST.)	100	150	6%
ILLEGAL CONV. (EST.)	200	300	11%
SUB-TOTAL UNITS	1,763	2,645	100%
DEMOLITIONS (est.)	100	150	
TOTAL NET UNITS	1,663	2,495	
ANNUAL		1,700 - 2,000	

Jamaica Plain

Urban Edge GBCD (Sharp)	32 Low income
Bulfinch School (NDEA)	25 Low/moderate income
JP High School	56 Low/moderate income
Mission Hill Neighborhood Housing (Sharp) GBCD	19 Low

Charlestown

CNY Bldg 103	112 Low/moderate elderly
CNY Bldg 104	55 Low/moderate elderly
Tontine Crescentt	11
City Square Elderly	120 Low/moderate elderly

Hyde Park

West Roxbury	0

Roslindale

Roslindale High School (17 subsidised CDBG)	75 Low income

Mattapan

Logue School (UDAG)	13 Low/moderate income
Baker School (UDAG)	18 Low/moderate income
Auduban School (UDAG)	12 Low/moderate income

Dorchester

Boston Girls Latin Academy (NDEA)	58 Low/moderate elderly
Columbia Point	800 Low/moderate income
Boston Housing Partnership (Sharp_	101 Low/moderate income
Codman Square Development Corp (Sharp)	19 Low/moderate income
Fields Corner CDC (Sharp)	19 Low/moderate income

South Boston

Fan Pier	140 Low/moderate income
John Boyle O'Reilly	30 Low/moderate elderly

1985-1989 Low/moderate Housing Excluding BHA

Fenway Kenmore

86 Fenway Community Land Trust	16 moderate

Allston Brighton

1933 Commonwealth Ave. Sharp	7 Low income
Boston Housing Partnership CDC	5 Low income

South End

89 Union Park	74 Low moderate income rental
West Newton - E. Concord	45 Low moderate income condos
544 Shawmut Ave	40 Low income elderly
Clarendon-Warren	45 Low income/moderate
Tent City	200 Low/moderate

East Boston

Chapman School	30 Low income

Back Bay/Beacon Hill	0

Central

Lincoln Wharf I	192 Moderate condos
Lincoln Wharf II	12 Linkage units
Rowes/Foster	112 Low/moderate
Don Bosco/Abbey Towers	55 Low income rentals

Roxbury

Council of Elders	145 Low/moderate income
Council Development Corp.	18 Low/moderate income
Open Door Housing	3 Low/moderate income
Cox Bldg	31 Low/moderate income
Kittridge Park	3 Low/moderate income
Christians for Urban Justice	7 Low/moderate income
Highland Park	18 Low/moderate income
NEDC Bldg	6 Low/moderate income
RAP	115 Low/moderate income
Campus High Parcel P-2B	18 Low/moderate income
Washington Park A-5	22 Low/moderate income
Fort Ave Townhouses Phase II	12 Low/moderate income
Campus High Parcel X-32	20 Low/moderate income
Campus High Parcel x-30	6 Low/moderate income
Kittridge Park	24 Low/moderate income
Mansard Bldg	6 Low/moderate income
WP Parcels A-2B	
J-5C	
A-3	54 Low/moderate income
Cass House	111 Moderate
WPI-2	60 Low/moderate income
Washington Street & MLK	42 Low/moderate income
Mass & Columbus	36 Low/moderate income
Mt. Pleasant	50 Low/moderate income

Low/Moderate Income Housing by Neighborhood; New Construction, Renovations, Conversions

Draft

Neighborhood	1985-1989 * (excluding BHA) Total Units
Fenway Kenmore	16 Low/moderate income
Allston Brighton	12 Low/moderate income
South End	404 Low/moderate income
East Boston	30 Low/moderate income
Back Bay/Beacon Hill	0
Central	371 Low/moderate income
Roxbury	807 Low/moderate income
Jamaica Plain/Mission Hill	132 Low/moderate income
Charlestown	298 Low/moderate income
Hyde Park	0
West Roxbury	0
Roslindale	75 (17 CDBG)
Mattapan	43 Low/moderate income
Dorchester	997 Low/moderate income
South Boston	170 Low/moderate income
Total	3,355
% of City Total	37%

* UNDERWAY, SCHEDULED OR UNDER REVIEW

SOURCE: BRA RESEARCH DEPT. COMPUTER FILE OF DEVELOPMENT PROJECTS, MAY 1985

RESIDENTIAL BUILDING PERMITS, 1985

(percentage composition)
(of units issued)